

Message Text

LIMITED OFFICIAL USE

PAGE 01 ROME 10591 020843Z

13

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 SP-03 AID-20 NSC-07 RSC-01

CIEP-03 SS-20 STR-08 OMB-01 CEA-02 INT-08 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 DRC-01

/155 W

----- 075581

P R 020745Z AUG 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 6233

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMCONSUL MILAN

AMCONSUL NAPLES

AMEMBASSY OTTAWA

USMISSION OECD PARIS

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

TREASURY DEPARTMENT WASH DC PRIORITY

LIMITED OFFICIAL USE ROME 10591

PASS FRB

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

REF: ROME 10164 OF JULY 24, 1974

1. SUMMARY. BOI HAD NET GAINS THROUGHOUT JULY FROM
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ROME 10591 020843Z

EXCHANGE MARKET INTERVENTION. DURING FIRST HALF OF

MONTH, ITALY HAD OVERALL BALANCE OF PAYMENTS SURPLUS, WHICH EVIDENTLY CONTINUED DURING LAST HALF OF MONTH. CUMULATIVE BALANCE OF PAYMENTS DEFICIT THROUGH MID-JULY WAS THEREFORE REDUCED TO \$6,487 MILLION. BOI MADE IMF DRAWING OF \$623 MILLION ON AUGUST 2. TRADE DATA SHOW SOMEWHAT LOWER TRADE DEFICITS IN MAY AND JUNE THAN IN PREVIOUS TWO MONTHS, BUT NET OIL DEFICIT STILL RUNNING AT ANNUAL RATE OF ABOUT \$7 BILLION. END SUMMARY.

2. HEAD OF BOI FOREIGN EXCHANGE OPERATIONS ERCOLANI TOLD TREASATT AUGUST 1 THAT BANK HAD CONTINUED TO MAKE NET PURCHASES OF FOREIGN EXCHANGE THROUGHOUT JULY. IMPROVEMENT IN BALANCE OF PAYMENTS POSITION SEEMS TO BE DUE TO REVERSAL IN LEADS AND LAGS, INCREASED INFLOW OF COMMERCIAL CREDIT TO HELP FINANCE PRIOR IMPORT DEPOSITS, SEASONAL STRENGTH IN TOURIST RECEIPTS, CONTINUED REPATRIATION OF ITALIAN CAPITAL DUE TO CREDIT SQUEEZE AND APPARENTLY SOME DECLINE IN TRADE DEFICIT. ERCOLANI SAID THAT BOI WOULD RECEIVE PROCEEDS OF DRAWING FROM IMF OF \$623 MILLION ON AUGUST 2. TOTAL AMOUNT CONSISTS OF \$323 MILLION FROM ITALY'S SUPER GOLD TRANCHE POSITION AND \$300 MILLION FROM FIRST TRANCHE OF \$1.2 BILLION IMF STANDBY. ERCOLANI ALSO FORESAW POSSIBILITY OF \$300 MILLION DRAWING FROM NEW IMF OIL FACILITY.

3. PRELIMINARY MONETARY MOVEMENTS FOR FIRST HALF OF JULY SHOW SURPRISING OVERALL BALANCE OF PAYMENTS SURPLUS OF \$178 MILLION, FINANCED THROUGH IMPROVEMENT IN NET BOI POSITION OF \$113 MILLION AND IMPROVEMENT IN COMMERCIAL BANKS' POSITION OF \$65 MILLION. LATTER FIGURE INDICATES THAT COMMERCIAL BANKS HAD ALREADY SOMEWHAT REDUCED THEIR NET FOREIGN LIABILITIES AS OF JULY 15, I.E., BEFORE BOI IMPOSED JULY 19 CEILING ON LEVEL OF BANKS' NET FOREIGN LIABILITIES (SEE REFTEL). SURPLUS IN FIRST HALF OF JULY IS FIRST SURPLUS IN ANY TWO-WEEK PERIOD SINCE FIRST HALF OCTOBER 1973. CONTINUATION OF BOI NET GAINS FROM EXCHANGE MARKET INTERVENTION IN LAST HALF OF JULY, COUPLED WITH FREEZE ON COMMERCIAL BANKS' NET FOREIGN BORROWING, INDICATES LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ROME 10591 020843Z

THAT GLOBAL B/P SURPLUS WAS ALSO ACHIEVED IN LAST HALF OF JULY.

4. CUMULATIVE BALANCE OF PAYMENTS DEFICIT THROUGH JULY 15 WAS \$6,487 MILLION FINANCED BY: (A) DECLINE OF \$970 MILLION IN GOI GOLD AND FOREIGN EXCHANGE RESERVES, (B) EC SHORT-TERM CREDIT OF \$1,885 MILLION, (C) COMPENSATORY EUROMARKET LOANS OF \$2,300 MILLION,

(D) NET SHORT-TERM BORROWING BY COMMERCIAL BANKS OF \$1,486 MILLION AND (E) NET IMPROVEMENT IN OTHER BOI ASSETS AND LIABILITIES OF \$154 MILLION.

5. TRADE DATA NOW AVAILABLE THROUGH JUNE (CUSTOMS DATA WITH IMPORTS C.I.F. SHOW THAT DEFICITS IN MAY AND JUNE WERE EACH ABOUT \$0.9 BILLION. ALTHOUGH THESE DEFICITS ARE STILL VERY HIGH, THEY ARE CONSIDERABLY LESS THAN APRIL. NET OIL DEFICIT IN FIRST SIX MONTHS OF YEAR WAS \$3,526 MILLION COMPARED TO \$971 MILLION IN SAME PERIOD OF 1973. ROUGHLY CONVERTED TO ANNUAL BASIS, THIS SUGGESTS NET OIL DEFICIT OF ABOUT \$7.1 BILLION THIS YEAR, COMPARED TO \$1.9 BILLION IN QUEN OR INCREASE OF \$5.2 MILLION.

6. LIRE EXCHANGE RATE HAS REMAINED RATHER STABLE THROUGHOUT JULY WITH OFFICIAL RATE OF 646 LIRE PER DOLLAR ON AUGUST 1 COMPARED TO 647 ON JULY 1. THREE-MONTH FORWARD RATE ON AUGUST 1 WAS 656 AND BLACK MARKET RATE WAS 685. END-JULY INTEREST RATES WERE SOMEWHAT LOWER THAN AT END-JUNE, WITH 48-HOUR INTERBANK RATE ON JULY 31 OF 17-7/8 COMPARED TO 18-3/8 ON JUNE 28. THREE-MONTH RATES WERE 18-7/8 AND 19-1/8 RESPECTIVELY. VOLPE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN MARKETS, BALANCE OF PAYMENTS, FOREIGN EXCHANGE TRANSACTIONS, CAPITAL FLOWS, BALANCE OF PAYMENTS DEFICITS, FOREIGN EXCHANGE RATES, LIRA
Control Number: n/a
Copy: SINGLE
Draft Date: 02 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ROME10591
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740210-0770
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740878/aaaacpif.tel
Line Count: 139
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: ROME 10164 OF JULY 24, 1974
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 02 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 APR 2002 by shawdg>; APPROVED <25 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ITALIAN EXCHANGE MARKET DEVELOPMENTS
TAGS: EFIN, IT
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005